UCR

ANNUAL REPORT
FOR THE
YEAR ENDED
DECEMBER 31
1972

President J. W. McBean (center) discusses development plans for Upper Canada Resources with Vice-President, Finance F. Gary Carrotte (left) and Executive Vice-President, John G. McBean (right).

To the Shareholders:

Consolidated financial statements for 1972 show a net loss of $171,861 after a gain on sale of investments of $222,617. Consolidated revenue for 1972 is $5,430,163 compared to $9,938,211 in 1971.

Approximately one-half of the 1972 revenue deficiency was caused by cessation of mining operations at Upper Canada and Upper Beaver mines. The balance is due to a lower level of drilling operations, particularly for mineral and slim-hole oil and gas programs. Although your Company continues to increase its percentage of total market, the national levels of mineral drilling activity are at a low for recent times. Strikes at client operations, which postponed substantial drilling programs, further affected 1972 drilling revenues.

Successful slim-hole operations for oil and gas were conducted in Jamaica in 1972, but no activity developed in Canada. Becker Drills Limited revenue, accumulated only from date of acquisition, July 1972, was significantly reduced by strikes at client plants.

No revenue was reported from Brinkerhoff Drilling Canada Limited or Truco Canada Limited as these acquisitions were not completed until the end of the 1972 fiscal year.

Management income from operations at the Macassa Gold Mine increased from $69,843 in 1971 to $422,813 in 1972. With free market gold prices at current levels, your Company's share of Macassa earnings in 1973 should be equivalent to or better than the 1972 return.

By the payment, in 1972, of a 15% tax on undistributed income, $510,585 was made available for future use as tax-free dividends.

Upper Canada Resources Limited is a new company in 1973 in terms of scale of activity and income. Becker Drills Limited and Becker Drills Inc. (Denver, Colorado) were acquired on June 23, 1972, Brinkerhoff Drilling Canada Limited (formerly Brinkerhoff Brothers Ltd.) on December 29, 1972 and Truco Canada Limited on January 16, 1973. These companies, now wholly-owned by Upper Canada, provide access to

UPPER CANADA RESOURCES LIMITED
SUITE 908 40 UNIVERSITY AVENUE TORONTO M5J 1T1 CANADA
TELEPHONE (416) 364-7301 TELEX 06-22627

Camorp

PRESS RELEASE

Financial Results for the Year 1972 and the First Quarter of 1973

Consolidated financial statements for 1972 show a net loss of $171,861 after a gain on sale of investments of $222,617. Consolidated revenue for 1972 is $5,430,163 compared to $9,938,211 in 1971.

Decreased revenue in 1972 is attributable to cessation of mining operations at Upper Canada and Upper Beaver mines and a lower level of operation in mineral drilling.

Upper Canada Resources Limited

Subsidiaries and Divisions
Becker Drills Ltd.
Brinkerhoff Drilling Canada Limited
Heath & Sherwood Drilling Division
Heath & Sherwood Drilling (Western) Limited
Alberta Rental Tool Ltd.
Drill Systems Inc.
Upper Canada Mines Division
Bankeno Mines Limited (Affiliate)

major markets in construction drilling, oil and gas drilling and diamond bit manufacturing.

The above acquisitions were financed by a cash payment of $1,086,000, the assumption of $2,500,000 in long-term debt and the guaranteeing of existing debt obligations of acquired companies. (See note 1, auditors' report.) Net assets of Upper Canada Resources Limited increased from $9,924,217 to $24,391,354.

Unaudited first-quarter financial returns indicate the measure of growth in Upper Canada Resources Limited. First-quarter revenue is $7,356,443 compared with $1,505,172 for the same period in 1972, and $5,430,000 revenue for all of 1972. Net income is $911,367 (16¢ per share) compared with $41,410 (.1¢ per share) in 1972. Cash flow is $1,387,512 (25¢ per share) compared with $99,772 (2¢ per share) in 1972.

Upper Canada and acquired companies have available loss carried forwards and capital cost allowances, which at anticipated levels of earnings in 1973 could defer tax payments for at least two years.

First-quarter earnings of the calendar year are traditionally higher than average due to seasonal fluctuations in drilling operations. However, for Brinkerhoff, the principal income producer, a considerable degree of stability to earnings is provided by long-term deep well operations. Increasing prices for oil and gas in Canada suggest that current level of exploration activity could continue for some years.

The outlook is bright for gold mining. Macassa continues to add new reserves in Tegren property development. The high levels of free market prices have encouraged a review of Upper Canada interest properties: Belleroche Mines Limited, Upper Kirkland Mines Limited, Queenston Gold Mines Limited, Laberada Mines Limited and Upper Beaver Mines Limited.

Upper Canada currently holds a 27.7% interest in Bankeno Mines Limited, in addition to a 5% net carried interest in Bankeno's interest in 6,176,260 land acres farmed out directly or indirectly to Panarctic Oils Ltd. Panarctic, with the Thor Island gas well announced in May 1973, has completed 10 wells capable of producing gas. It is also significant that this marks the fifth important gas field discovered by Panarctic Oils Ltd. in the Arctic Islands. It is presumed that with the gas fields developed by others, Panarctic is well on its way to attaining the threshold volumes required to justify a pipeline.

Development of Arvik Mines, in which Bankeno has a 25% interest, has indicated reserves of more than 20 million tons of zinc-lead with an average zinc-lead metal content of better than 20%. These reserves, establish Arvik as the largest high-grade zinc-lead mine in the world. Initial ocean shipments for mill treatment purposes of "direct shipping ore" (35% to 40% grade) are planned for the summer of 1973. Bankeno anticipates an early cash flow on attainment of mine production.

In an attempt to provide fuller coverage of Company activities, a new annual report format is introduced. In the rear pocket, as separates, are outlines of activities of major subsidiaries and divisions of Upper Canada Resources, including a Bankeno report and map. We trust the shareholders will find this information of interest.

Appreciation is expressed to directors and staff for their cooperation and diligence in the conduct of Company affairs. Special commendations are due John C. McBean, Executive Vice-President and F. Gary Carrotte, Vice-President-Finance, for the successful searching out and development of 1972 acquisitions.

J. W. McBean, President

May 9, 1973

Upper Canada Resources Limited
and its subsidiaries

Formerly Upper Canada Mines Limited
Incorporated under the laws of Ontario.

Consolidated Financial Statements
December 31, 1972

Directors	J. W. McBean J. C. McBean F. G. Carrotte E. T. Donaldson R. M. Gray J. H. Botsford G. F. Day
Officers	J. W. McBean President J. C. McBean Executive Vice-President J. H. Botsford Vice-President Mining Operations F. G. Carrotte Vice-President Finance and Secretary-Treasurer
Transfer Agents	Crown Trust Company Toronto, Ontario Bankers Trust Company New York, N.Y.
Auditors	Clarkson, Gordon & Co., Toronto, Ontario
Head Office	Suite 908, 40 University Avenue Toronto, Ontario M5J 1T1

Upper Canada Resources Limited

Consolidated Balance Sheet

December 31, 1972

With comparative figures as at December 31, 1971

Assets

	1972	1971
Current:		
Cash	$ 558,623	$ 64,166
Accounts receivable (note 2)	3,388,938	1,598,911
Drilling materials and supplies—at lower of cost and estimated replacement cost	3,245,046	2,098,728
Expenditures on contracts in progress	112,531	
Supplies and equipment for resale—at lower of cost and net realizable value	354,581	429,771
Prepaid expenses	137,259	6,735
	7,796,978	4,198,311
Investments—at cost (market value March 30, 1973—$8,432,000; December 31, 1971—$7,735,000—note 3)	1,175,755	1,020,014
Fixed—at cost less accumulated depreciation (note 4)	12,312,488	1,934,687
Other (note 5)	699,162	364,234
Goodwill—at cost	2,406,971	2,406,971
	$24,391,354	$9,924,217

On behalf of the Board:

J. W. McBean, Director

F. G. Carrotte, Director

See accompanying notes to the consolidated financial statements

Liabilities

	1972	1971
Current:		
Bank loan and overdraft (note 6)	$ 1,860,092	$ 300,000
Accounts payable and accrued charges	2,973,298	554,364
Taxes payable	355,398	45,737
Advances on contracts in progress	311,888	
Current portion of long-term debt	2,297,790	9,000
	7,798,466	909,101
Long-term debt (note 7)	8,179,541	15,820
Minority interest	668,903	747,890
Shareholders' equity:		
Capital —		
Authorized (notes 8 and 16):		
7,500,000 shares of $1 par value each		
Issued and fully paid:		
5,299,827 shares	5,299,827	5,299,827
Less discount on shares	2,329,928	2,329,928
	2,969,899	2,969,899
Contributed surplus	1,946,431	1,946,431
Retained earnings	2,828,114	3,335,076
	7,744,444	8,251,406
	$24,391,354	$9,924,217

Auditors' Report

To the Shareholders of Upper Canada Resources Limited:

We have examined the consolidated balance sheet of Upper Canada Resources Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 30, 1973.

Clarkson, Gordon & Co.,
Chartered Accountants

Consolidated Statement of Retained Earnings

Year ended
December 31, 1972
With comparative figures
for 1971

	1972	1971
Balance beginning of year	$3,335,076	$3,012,722
Net income (loss) for year	(171,861)	428,351
	3,163,215	3,441,073
Deduct:		
Dividends paid	105,997	105,997
Payment of special 15% tax to create tax paid undistributed income of $510,585	90,104	
Reorganization costs (note 9)	139,000	
	335,101	105,997
Balance end of year	$2,828,114	$3,335,076

Consolidated Statement of Contributed Surplus

Year ended
December 31, 1972
With comparative figures
for 1971

	1972	1971
Balance beginning of year	$1,946,431	$1,875,227
Add I.R.D.I.A. grant		108,680
	1,946,431	1,983,907
Deduct portion of I.R.D.I.A. grant applicable to minority interest		37,476
Balance end of year	$1,946,431	$1,946,431

See accompanying
notes to the consolidated
financial statements

Consolidated Statement of Income

Year ended December 31, 1972
With comparative figures for 1971

	1972	1971
Revenue	$5,430,163	$9,958,211
Cost of operations	5,850,290	9,109,864
	(420,127)	848,347
Management income (note 10)	422,813	69,843
Income before the following	2,686	918,190
Depreciation	460,551	385,037
Amortization of deferred costs		69,965
Taxes on income of certain of the companies	78,000	154,000
Minority interest	(78,387)	26,837
	460,164	635,839
Income (loss) before extraordinary items	(457,478)	282,351
Extraordinary items:		
Reduction in income taxes resulting from the application of prior years' losses (note 11)	63,000	146,000
Gain on sale of investments net of tax of $13,000 applicable thereto	222,617	
	285,617	146,000
Net income (loss) for year	$ (171,861)	$ 428,351
Earnings (loss) per share:		
Income (loss) before extraordinary items	$ (.08)	$ .05
Extraordinary items	.05	.03
Net income (loss) for year	$ (.03)	$ .08

See accompanying notes to the consolidated financial statements

Consolidated Statement of Source and Application of Funds

Year ended
December 31, 1972
With comparative figures
for 1971

		1972	1971
Source of funds:			
Operations		$ (17,876)	$ 910,190
Reduction in advances to other companies			331,665
Net book value of fixed assets held for resale transferred to current assets			134,744
I.R.D.I.A. grant			108,680
Other		11,399	
		(6,477)	1,485,279
Application of funds:			
Payment of dividends		105,997	105,997
Payment on and increase in current portion of long-term debt		1,009,433	70,667
Purchase of fixed assets (net)		631,269	545,229
Working capital deficit of subsidiaries at date of acquisition		226,936	
Purchase of subsidiaries (note 1)	3,586,357		
Less—			
Portion financed by long-term debt	2,500,000		
Portion financed by sale of long-term investments	255,000		
	2,755,000	831,357	
Deferred exploration costs		66,228	77,187
Patents		4,415	5,048
Purchase of shares in other companies		179,482	27,436
Tax on undistributed income		90,104	
Reorganization costs		139,000	
		3,284,221	831,564
Increase (decrease) in working capital during year		(3,290,698)	653,715
Working capital beginning of year		3,289,210	2,635,495
Working capital (deficit) end of year		$ (1,488)	$3,289,210

See accompanying
notes to the consolidated
financial statements

Notes to the Consolidated Financial Statements

Year ended
December 31, 1972

1. Summary of significant accounting policies

(a) Basis of consolidation—

(i) The accompanying financial statements include the accounts of the company and all its subsidiaries.

(ii) The company employs the purchase method of accounting for acquired subsidiaries. Accordingly, the consolidated statements of income and source and application of funds include the results of operations and the source and application of funds of these subsidiaries only from the date of acquisition.

It is the company's policy to carry goodwill arising on acquisition of subsidiaries at cost until such value is impaired.

(iii) Effective June 23, 1972 and December 29, 1972 respectively, the company acquired all the issued and outstanding shares of Becker Drills Ltd., a construction drilling company, and Brinkerhoff Brothers Ltd., an oil and gas drilling company. Effective January 16, 1973, the company acquired all the issued and outstanding shares of Truco Canada Limited, a drilling supply manufacturer. Particulars of these acquisitions are as follows:

	Becker Drills Ltd.	Brinkerhoff Brothers Ltd.	Truco Canada Limited	Total
Book value of assets	$2,440,138	$9,481,359	$784,645	$12,706,142
Book value of liabilities	2,148,171	8,174,162	733,249	11,055,582
Net book value	291,967	1,307,197	51,396	1,650,560
Adjustment to fair values at date of acquisition —assets	715,851	1,257,142	(37,196)	1,935,797
Cost of shares acquired	$1,007,818	$2,564,339	$ 14,200	$ 3,586,357

Purchase price satisfied as follows:

	Becker Drills Ltd.	Brinkerhoff Brothers Ltd.	Truco Canada Limited	Total
Cash	$ 752,818	$ 64,339	$ 14,200	$ 831,357
31,875 shares of Bankeno Mines Limited	255,000			255,000
Long-term debt		2,500,000		2,500,000
	$1,007,818	$2,564,339	$ 14,200	$ 3,586,357

The book value of assets of Brinkerhoff Brothers Ltd. has been reduced by the amount of deferred income taxes of that company as at the date of acquisition of $1,105,854 as recommended in the exposure draft of December 1972 on Business Combinations sponsored by the Canadian Institute of Chartered Accountants.

Because the purchase of Truco Canada Limited was virtually complete by the year-end, the assets and liabilities of that company have been included in the 1972 consolidated balance sheet.

(iv) The accounts of the company's foreign subsidiary are translated into Canadian dollars as follows:

Current assets and liabilities —at year-end exchange rates

Other assets and liabilities —at exchange rates in effect when the transactions were completed.

Operations—at average exchange rates for the year.

Translation gains or losses are included in the consolidated statement of income and are not significant.

(b) Drilling materials and supplies—

The inventory of drilling materials and supplies consists of new and used supplies, spare parts, drill bits and drill rods employed in the company's operations, and includes all materials and supplies on hand except for certain spare part items at active drill sites which are considered by the company to be a normal working supply. Materials and supplies are priced at cost or in the case of used items at replacement cost less amounts written off to reflect estimated usage.

This policy is followed by all the companies except Brinkerhoff Brothers Ltd. whose drill rigs are significantly larger than the rigs used by the other companies. In the case of Brinkerhoff Brothers Ltd. the cost of the original string of drill rods is included as part of the cost of the drill rigs and depreciated on the same basis as the drill rigs; all replacement drill rods as well as drilling materials and supplies are expensed when purchased. This practice conforms with a method of accounting which is generally accepted in the oil and gas industry.

(c) Fixed assets—

All property, plant and equipment is recorded at cost. Depreciation has been provided in the accounts at rates designed to amortize the cost of fixed assets over their estimated useful lives, as follows:

Asset category	Approximate cost	Depreciation method	Rate
(i) Large rigs	$9,700,000	Standard rate per operating day which results in cost being amortized over approximately 15 years.	
(ii) Small rigs	$4,000,000	Straight-line	10-20%
(iii) Automotive equipment	$1,700,000	Substantially straight-line	20-33⅓%
(iv) Portable camps	$ 700,000	Straight-line	10-20%
(v) Buildings	$1,100,000	Substantially straight-line	2½-5%
(vi) Equipment for rent	$ 600,000	Diminishing balance	30%
(vii) Other	$ 800,000	Various	Various

(d) Revenue recognition—

Revenue and costs are accounted for on a percentage of completion basis with the exception of work done on contracts which require the companies to drill to a specified level, in which case revenue is not earned until the contract is completed. For such contracts, costs and billings on account are deferred and are not taken into income until the completion of the contract. It is also the companies' policy to provide for anticipated losses on uncompleted contracts; no such provision was required at December 31, 1972.

2. Accounts receivable

Details of accounts receivable are as follows:

	1972	1971
Trade	$3,140,008	$1,472,492
Due from shareholders—advances	44,296	126,419
—house loans	204,634	
	$3,388,938	$1,598,911

3. Investments—at cost

	December 31, 1972		December 31, 1971	
	Number of shares	Cost	Number of shares	Cost
Queenston Gold Mines Limited	1,056,800	$ 293,592	1,056,800	$ 293,592
Bankeno Mines Limited (notes 6 and 7)	1,167,625	827,011	1,175,700	664,412
Other		55,152		62,010
		$1,175,755		$1,020,014

The market value of Queenston Gold Mines Limited and Bankeno Mines Limited based on closing bid prices at March 30, 1973 are $317,000 (December 31, 1971—$211,000) and $8,115,000 (December 31, 1971—$7,524,000) respectively. The March 30, 1973 closing bid prices are disclosed rather than those at December 31, 1972 since there has been a significant decline in market values since that date. In the case of large shareholdings, such prices do not necessarily represent the realizable value of the company's holdings which may be more or less than indicated market value.

4. Fixed

Details of fixed assets are as follows:

		1972	1971
Drilling:			
Land—at cost		$ 106,527	$ 7,450
Buildings and equipment—at cost	18,561,816		
Less accumulated depreciation	6,427,552	12,134,264	1,855,540
		12,240,791	1,862,990
Mining:			
Buildings and equipment—at cost	621,346		
Less accumulated depreciation	549,649	71,697	71,697
		$12,312,488	$1,934,687

During the year the company and its subsidiaries ceased their mining operations and the assets relating thereto have been written off except for the mill, shown above as mining fixed assets, which the company expects to use in future mining operations, and except for certain supplies and equipment considered to be saleable, which are included in the balance sheet as supplies and equipment for resale at the lower of cost and net realizable value. The company, together with certain of its subsidiaries, continues to own mining properties and claims on which exploration is being conducted.

5. Other

Details of other assets are as follows:

	1972	1971
Patents—at cost less amortization	$208,804	$ 11,828
Deferred exploration—at cost	182,554	116,326
Mining properties and claims—at cost less amounts written off	221,455	219,455
Oil and gas properties—at cost less depletion	69,524	
Other	16,825	16,625
	$699,162	$364,234

6. Bank loan and overdraft

The bank loans are secured by a $6,500,000 floating charge debenture on the undertaking and assets of Brinkerhoff Brothers Ltd., by an assignment of certain accounts receivable and by 150,000 shares of Bankeno Mines Limited.

7. Long-term debt

Details of long-term debt are as follows:

	1972	1971
First floating charge debenture on the undertaking and assets of Truco Canada Limited due December 31, 1977 with interest at 1% over the bank prime rate payable in semi-annual instalments of $50,000 from 1973 to 1977	$ 500,000	
First floating charge debenture on the undertaking and assets of Upper Canada Resources Limited due June 15, 1977 with interest at 1% over the bank prime rate payable in instalments of $200,000 in 1973, $440,000 in 1974 and $425,000 in each of the years 1975 to 1977	1,915,000	
11% note payable secured by a chattel mortgage on certain assets due January 18, 1978, repayable in blended monthly instalments of $5,853 principal and interest and a final instalment of $200,000 in January 1978	385,000	
Term bank loans bearing interest at 2% over the bank prime rate (see note below)	7,500,000	
Other	177,331	$24,820
	10,477,331	24,820
Less current portion	2,297,790	9,000
	$ 8,179,541	$15,820

Although the term bank loans are due on demand, the bank has indicated that repayments will be permitted over a period of time as follows:

1973	$1,800,000
1974	1,400,000
1975	1,400,000
1976	1,400,000
1977	1,400,000
1978	100,000
	$7,500,000

These loans are secured by an assignment of 934,325 shares of Bankeno Mines Limited, by a $6,500,000 floating charge debenture on the undertaking and assets of Brinkerhoff

Brothers Ltd. and by a first mortgage on certain drilling rigs and other assets of that company.

As a condition of obtaining certain of the term bank loans, the company has undertaken, if requested by the bank, to make an offering of its shares by December, 1974 in an amount sufficient to reduce the term bank debt by approximately $5,100,000.

Total interest expense on long-term debt was $70,845 for 1972 (1971 – $2,726).

8. Name and share structure change

During the year the company applied for and obtained Articles of Amendment changing the name of the company to Upper Canada Resources Limited and increasing the authorized share capital by creating an additional 2,000,000 shares of $1 par value each ranking on a parity with the previously authorized 5,500,000 shares.

9. Reorganization costs

During the year reorganization costs were incurred when certain of the company's subsidiaries sold their operations and certain of their net assets to the company.

10. Management contracts

The company is managing under contract the Macassa Gold Mine (including the adjacent Tegren property and Kirkland Minerals property). Under the terms of this agreement the company receives, as a management fee, an amount equal to one-half of the net revenue (as defined) and is responsible for all losses incurred. Any such losses are recoverable from, and are a first charge against, future net revenues. This contract expires December 31, 1980, but provides that Upper Canada Resources Limited has the option to terminate the contract at any time by giving one month's notice.

11. Income taxes

It is estimated that deductions for tax purposes of $2,280,000, resulting from carry-forward of losses for tax purposes of $550,000 and capital cost allowances claimed to date for tax purposes of $1,730,000 less than depreciation recorded in the accounts, will be available to the companies to the extent of future earnings. Deductions for tax purposes as a result of loss carry-forwards will expire as follows:

1974	$ 25,000
1975	225,000
1977	300,000
	$550,000

Deductions for tax purposes as a result of capital cost allowance will not expire until the allowances are claimed.

12. Lease commitments

The companies are committed under leases for periods varying from 2 to 10 years for a total remaining lease commitment of $422,000. The lease commitment for 1973 amounts to $90,000.

13. Contingent liabilities

One of the subsidiaries which the company acquired during the year was notified in a previous year of a possible claim amounting to £298,950 (approximately $700,000) in connection with a construction contract. Under the terms of the agreement to purchase this subsidiary, the vendor has agreed to indemnify the company or this subsidiary from all such liabilities and accordingly no provision for this possible claim has been made in the accounts of the company.

14. Statutory information

The aggregate remuneration of directors and senior officers (as defined under the Business Corporations Act, 1970, Ontario) was $179,618 for the year ended December 31, 1972 ($179,268 for 1971).

15. Restatement of 1971 figures

Certain of the 1971 figures have been restated to conform with the presentation adopted in 1972.

16. Subsequent events

(a) Subsequent to December 31, 1972 the company issued 165,000 treasury shares in exchange for 57,955 voting second preference shares of Heath & Sherwood Drilling (Western) Limited (a partially-owned subsidiary). This transaction increases the ownership by the company in Heath & Sherwood Drilling (Western) Limited to 96.7%.

(b) On January 2, 1973 the directors of the company approved a key employees stock option plan under which a total of 265,000 treasury shares have been set aside. Options will be exercisable during such period of time as the board of directors may in each case decree, but not exceeding ten years, and in such proportion each year as the directors may fix upon the granting of each option.

Under the terms of this plan, options have been granted to eleven employees to purchase an aggregate of 234,600 shares of the company at $2.20 a share exercisable as to 12.5% thereof on or after September 30 in each of the years 1973 to 1980, such options to terminate on December 31, 1980.

Upper Canada Resources Limited

DRILLING and SERVICES

- 100% Brinkerhoff Drilling Canada Limited
  - 5.78% Western Rock Bit Ltd.
  - Alberta Rental Tool Division
- 100% Becker Drills Ltd.
  - 100% Becker Drills Inc.
- 96.7% Heath & Sherwood Drilling (Western) Limited
- Heath & Sherwood Drilling Division

MANUFACTURING

- Becker Manufacturing
- 15% Pilot Diamond Tools Limited
- 100% Drill Systems Inc.

MINING

- 27.6% Bankeno Mines Limited
  - 25% Arvik Mines Limited
  - 2.26% Panarctic Oils Limited
- 22.5% Queenston Gold Mines Limited
  - 2.9% → Bankeno Mines Limited
- Upper Canada Mining Division
  - Macassa – Tegren Operation
- 53% Belleroche Mines Limited
  - 100% Pandora Limited
- 25% Laberada Mines Limited
- 60% Upper Kirkland Mines Limited
- 100% Upper Beaver Mines

UPPER CANADA RESOURCES LIMITED
SUITE 908 40 UNIVERSITY AVENUE TORONTO M5J 1T1 CANADA
TELEPHONE (416) 364-7301 TELEX 06-22627

Camorp

PRESS RELEASE

Financial Results for the Year 1972 and
the First Quarter of 1973

Consolidated financial statements for 1972 show a net loss of $171,861 after a gain on sale of investments of $222,617. Consolidated revenue for 1972 is $5,430,163 compared to $9,938,211 in 1971.

Decreased revenue in 1972 is attributable to cessation of mining operations at Upper Canada and Upper Beaver mines and a lower level of operation in mineral drilling.

In contrast, unaudited first quarter 1973 financial results show revenue of $7,356,443 compared with $1,505,172 for the same period in 1972, and revenue of $5,430,000 for all of 1972. Net income is $911,367 (16¢ per share) compared with $41,410 (1¢ per share) in 1972. Cash flow is $1,387,512 (25¢ per share) compared with $99,772 (2¢ per share) in 1972.

The improvement in financial results reflects the substantial increase in revenue produced by the acquisitions of Brinkerhoff Drilling Canada Limited (formerly Brinkerhoff Brothers Ltd.), Becker Drills Ltd., and Truco Canada Limited, assisted by increased contributions from free market gold sales from the Macassa Mine operation.

J. W. McBean
President

June 18, 1973

Upper Canada Resources Limited

Subsidiaries and Divisions
Becker Drills Ltd.
Brinkerhoff Drilling Canada Limited
Heath & Sherwood Drilling Division
Heath & Sherwood Drilling (Western) Limited
Alberta Rental Tool Ltd.
Drill Systems Inc.
Upper Canada Mines Division
Bankeno Mines Limited (Affiliate)

UPPER CANADA RESOURCES LIMITED SUITE 908 40 UNIVERSITY AVENUE TORONTO M5J 1T1 CANADA

Printed in Canada